

Goal: Getting Payments Right

Program or Activity
American Opportunity Tax Credit

Reporting Period
Q3 2020

Change from Previous FY (\$M)

N/A

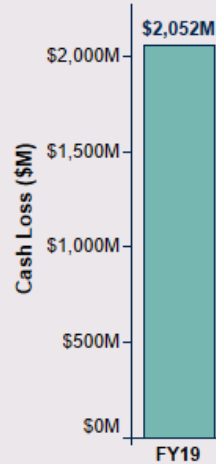


Treasury
American Opportunity Tax Credit

Brief Program Description:

The AOTC is a credit for qualified education expenses paid for an eligible student for the first 4 years of higher education. Up to 40% (1,000) of the annual maximum amount is refundable.

Cash Loss by FY (\$M)



Key Milestones		Status	ECD
1	Develop mitigation strategies to get the payment right the first time	Completed	Aug-19
2	Evaluate the ROI of the mitigation strategy	At Risk	Sep-20
3	Determine which strategies have the best ROI to prevent cash loss	At Risk	Sep-20
4	Implement new mitigation strategies to prevent cash loss	Completed	Oct-19
5	Analyze results of implementing new strategies	On-Track	Sep-20

Quarterly Progress Goals			Status	Notes	ECD
1	Q3 2020	Reject electronic returns with missing or inconsistent information via math error.	On-Track	In FY 2018, approximately 72% of all returns are filed electronically.	Sep-20
2	Q3 2020	Conduct post-refund audits to recapture overclaims.	On-Track	In FY 2019, document matching accounted for 44% of all base enforcement activities (i.e., Audit Closures, Math Error Notices, and Document Matching) and protected over \$1 billion in revenue.	Sep-20

Recent Accomplishments		Date
1	Identity Theft and Fraud: Detected and stopped 322,548 fraudulent EITC returns through our fraud detection filters from being processed, preventing approximately \$1.6 billion in erroneous refunds. Audit included examination of AOTC claims.	Jul-20
2	Base Enforcement Efforts: Compliance activities for refundable tax credit programs, including AOTC. Efforts include 256,768 audits, 316,602 misreported income cases, and estimated 138,500 math error adjustments, protecting revenue of over \$2.4 billion	Jul-20
3	Two- and 10-Year Bans: Imposed 1,770 two-year bans and 152 10-year bans for cases where the IRS determined during refundable tax audits that the taxpayer intentionally disregarded the rules and regulations or committed fraud.	Jul-20

Amt(\$)	Root Cause	Root Cause Description	Mitigation Strategy	Anticipated Impact of Mitigation
\$1,293M	Program design or structural issues	Approximately \$1.3 billion, or 63% of AOTC overclaims is because IRS lacks data to confirm payment accuracy during return processing or the authority to enforce eligibility requirements during processing when the data exists.	Internal Process or Policy Change	Reduce taxpayer filing error, educate taxpayers and paid preparers on the law and common filing errors.
\$759M	Inability to authenticate eligibility: data needed does not exist	Approximately \$0.76 billion, or 37% of total AOTC overclaims is due to the lack of data needed to support automated compliance checks, misreported income, and filing status errors.	Internal Process or Policy Change	Reduce taxpayer filing error, educate taxpayers and paid preparers on the law and common filing errors.

Cash Loss - Cash loss to the Government includes amounts that should not have been paid and in theory should/could be recovered.